



MONTANA BOARD OF HOUSING
TERMS AND CONDITIONS
HABITAT FOR HUMANITY
FIRST-TIME HOMEBUYERS PROGRAM

November 17, 1997
(revised 11/16/11)

(1) MBOH used to require that Habitat loans obtain some form of mortgage insurance such as FHA insurance or Rural Development guarantees in order to qualify for a MBOH loan. More recently, MBOH has allowed Habitat loans without mortgage insurance as long as the local Habitat chapter took out a second mortgage for the difference between the MBOH loan amount and the appraised value of the property, and the second mortgage was at least 20% of the appraised value. By using the loan-to-value (LTV) calculation for the MBOH loan, MBOH could demonstrate that these Habitat borrower loans were at 80% LTV or lower. Having the loan at 80% LTV or lower meets MBOH's criteria for a loan without mortgage insurance.

Lenders have subsequently asked MBOH how to underwrite the borrowers since there was no mortgage insurance underwriting guidelines to follow. MBOH initially suggested that underwriters use RD standards as if the loan were going to be underwritten by RD. MBOH now faces frequent analysis of risk by the rating agencies. One of the areas the rating agencies examine are loans without mortgage insurance, especially when the resources that bring the LTV down to 80% or less are not cash from the borrower. As a result, MBOH has tightened its requirement for underwriting for Habitat loans.

Current Requirements for Underwriting for Habitat Loans:

In order to qualify a borrower for a Habitat loan, the lender should use the RD underwriting criteria and enter the information assuming 100% LTV with the total value of the property equal to the loan amount, i.e., as if it were 100% financing at the loan amount. MBOH requires that the lender submit a copy of the RD printout in order to validate the qualification of the borrower for the loan.

In addition, the local Habitat Chapter needs to submit a letter verifying that the borrower is a Habitat client, that the Chapter approves the borrower to apply for an MBOH loan, and that the Habitat Chapter intends to take out a second mortgage for the balance of the loan to value.

- (2) The fixed rate of interest on the Mortgage Loan shall be 2.0% per annum.
- (3) The term of the Mortgage Loans shall be for a maximum of 30 years and such Mortgage Loans shall provide for complete amortization by maturity by equal monthly payments of principal.
- (4) The Servicer is to contact the local Habitat for Humanity (Habitat) affiliate in case of delinquency. Habitat retains the first right of refusal on foreclosures.
- (5) The acquisition cost of a Residence being financed by a Mortgage Loan shall include cost of completing the residence and unpaid SID assessments and must not exceed the FHA Maximum Mortgage Limits. Land purchased with the residence shall not exceed the acreage limitation of the Small Tract Financing Act.

(6) The mortgagor shall not have owned a principal residence at any time during the three-year period preceding the date of execution of the Mortgage Loan.

(7) The Residence to be financed shall be occupied as the mortgagor's principal residence, and no more than 15% of the total area of the residence may be used in a trade or business.

(8) Refinancing of existing Mortgage Loans are not eligible for purchase by the Board. Refinancing of construction period loans or other interim financing which have a term of 24 months or less are not considered refinancing of existing Mortgage Loans.

(9) Recapture tax provisions will not apply.

(10) Mortgage Lenders may reserve funds in this program on a loan-by-loan, first-come, first-served basis. An eligible Mortgage Lender desiring to reserve funds must submit (1) the Mortgage Loan Reservation/Confirmation Report (BOH Form 99); (2) a copy of an executed FHA/RD/VA Loan Application or other complete loan application used by the Mortgage Lender; (3) a copy of an executed Buy/Sell Agreement; (4) verification of Annual Family Income; (5) Signed "Release of Financial Information" form (6) Borrower Stat Sheet (7) Final loan amount for 1st loan and wraparound loan calculation by Board staff. Upon receipt of such documents and funds, the Board may reserve bond proceeds for 180 days to acquire Mortgage Loans.

(11) A letter from Habitat declaring eligibility of applicant.

(12) The Board will purchase Mortgage Loans at one hundred percent (100%) of the face amount of the Mortgage Loan. The Mortgage Lender may not charge any fees.

(13) Permanent mortgage funds are to be used in conjunction with Habitat funds and equity.

(14) Please contact the Board of Housing for reporting instructions. Also, contact the Board of Housing for WIRE and ACH information for remitting mortgage payments and payoffs.